

TRADE AND AMERICAN PROSPERITY IN 1999

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Thank you, Mr. Chairman, for inviting my testimony on the role of trade in our economy, and the state of American trade policy today. I am grateful to you, to Senator Moynihan, and to the Committee for offering us this opportunity to discuss our trade policy record and agenda for the future, and I look forward to continuing the close working relationship we have had with the Committee. And let me say that you have called this hearing at an opportune time, because we are opening a year in which every part of our trade agenda will be ambitious and will hold great promise for our country.

Last week, President Clinton called for the initiation of a new multilateral negotiating Round able to meet the demands of the 21st century. This will begin at the World Trade Organization's Third Ministerial Conference, chaired by the United States -- and the largest trade event ever held in the United States -- and it will shape world trade in the next century. Our multilateral agenda will be accompanied by the regional, bilateral and sectoral negotiations we have underway in each part of the world; and by enforcement of our rights under WTO dispute settlement, the North American Free Trade Agreement and through our domestic trade laws.

We hope and expect to carry out this agenda in the tradition of bipartisanship and close consultation between the Executive and Legislative branches which have characterized many years of American trade policy. And I believe it is entirely fitting that we begin the discussion at the Senate Finance Committee.

My testimony will touch on each of these points, including trade negotiating authority, which we believe will help us achieve our goals. But let me begin by discussing the context in which we have developed our policy agenda and in which we carry it out.

TRADE POLICY PRINCIPLES

Trade policy forms part of both our national economic policy and our approach to the world beyond our borders.

At home, engagement in world trade, based on fair rules and the rule of law, offers American firms, agricultural producers and workers larger markets. Almost 80% of world economic consumption takes place outside the U.S., and if America is to continue to grow and remain competitive in the future, trade policy must ensure that Americans have fair access to these

markets. Trade also offers American consumers a greater choice of products at competitive prices and higher quality.

Overseas, trade helps increase world prosperity, advances the rule of law, and helps to strengthen international peace. As President Franklin Roosevelt said in 1944:

“A basic essential to peace, permanent peace, is a decent standard of living for all individual men and women and children in all nations. Freedom from fear is eternally linked with freedom from want. [And] it has been shown time and time again that if the standard of living in any country goes up, so does its purchasing power -- and that such a rise encourages a better standard of living in neighboring countries with whom it trades.”

These principles have formed the basis of American trade policy since the end of World War II. We have advanced them on a bipartisan basis through a strong working partnership between the Executive Branch and Congress through ten Administrations, ever since the creation of the General Agreement on Tariffs and Trade in 1948. The Clinton Administration's trade policy, we believe, is firmly in this tradition: such advances as the passage of the North American Free Trade Agreement, the Uruguay Round, our 35 bilateral trade agreements with Japan -- a total of 270 trade agreements -- would not have happened without the advice, support and contribution of the Finance Committee and Congress as a whole.

TRADE AND THE US ECONOMY

The results of these policies have contributed immeasurably to the peace and prosperity America now enjoys. We have the most dynamic, creative and competitive economy in the world, and are ideally placed to succeed in the next century.

Since 1992, we have had uninterrupted growth -- our economy has expanded from \$7.1 trillion to \$8.5 trillion in real terms (1998 dollars) and last month, the present economic expansion became America's longest in history.

We have created jobs. Employment in America has risen from 109.5 to 127.2 million jobs, a net gain of nearly 18 million, as unemployment rates fell from 7.4% to 4.3%.

And we have raised wages. Since 1992, average wages have reversed a twenty-year decline and have grown by 6.0% in real terms, to \$449 a week on average. This family prosperity is reflected, for example, in record rates of home ownership.

Altogether, we have achieved an historic combination of high growth, low unemployment, low inflation, low interest rates and rising wages unmatched in decades. The reasons for this are many. They include improved support for education and job training and an uninterrupted reduction in the federal deficit beginning in 1993 and culminating with the budget surpluses of the past two years. But trade and participation in the world economy have played an irreplaceable

role.

And overseas, as trade has grown and international trade rules have strengthened, the hopes of the wartime generation have been in many ways realized.

Peace among the world's great nations has grown more secure.

Prosperity has blossomed -- as world exports have grown from \$60 billion to \$6.5 trillion in constant dollars since 1960, world economic production has quadrupled and real per capita income has more than doubled, from under \$3100 to over \$6300 last year.

As a consequence, people have better lives. In 1955, the world average life expectancy at birth was 48 years; now it is 65. Where the worldwide infant mortality rate was 148 per thousand, today it is 59.

And faith in markets under the rule of law has been vindicated: those nations which shut off the free flow of goods, services and information have tended to stagnate while those which remained open to the world have tended to prosper. One need only examine the ghastly experiment which has taken place on the Korean peninsula -- as South Korea has risen to become one of the world's leading industrial powers, while North Korea is afflicted by chronic hunger -- to show how stark is the contrast. And there is no stronger vindication of our work than the fact that Russia, China and 16 other economies have abandoned central planning and seek WTO membership.

The Administration in which Secretary Rubin, Secretary Daley and I serve has had the good fortune to build upon this foundation. Since 1992, we have negotiated 270 separate trade agreements which have helped open markets and create opportunity for Americans. These agreements include five which have fundamentally transformed world trade: the North American Free Trade Agreement, which cemented our strategic trade relationship with our immediate neighbors; the Uruguay Round, which created the World Trade Organization with a binding dispute settlement mechanism and extended international trade rules to new areas through agreements on agriculture, services, intellectual property; and three multilateral agreements on information technology, financial services and basic telecommunications.

US TRADE TODAY

As a result, America's trade has flourished. Last year we exported \$932 billion in goods and services -- a 51% increase from the 1992 level of \$617 billion, despite a slowing in export growth due to the financial crisis. Our goods exports were very evenly divided among four major markets, meaning that we have critical trade interests in each part of the world:

Canada	Asia-Pacific	Latin America	European Union
\$156 billion	\$166 billion	\$143 billion	\$150 billion

Measured by country, our largest five goods export markets were Canada at \$156 billion, followed by Mexico at \$71 billion, Japan at \$57 billion, the United Kingdom at \$40 billion and Germany at \$25 billion.

Service export figures are only partially available for 1998. Our full-year 1997 service exports, divided regionally, were more heavily weighted to Asia and Europe but still indicate critical interests in each region:

Canada	Asia-Pacific	Latin America	European Union
\$20.5 billion	\$73.6 billion	\$34.2 billion	\$74.8 billion

In 1997, our six largest service export markets were Japan with \$34 billion, the United Kingdom with \$23.7 billion, Canada at \$20.5 billion, Germany at \$13.5 billion, France at \$9.4 billion and Mexico at \$9.3 billion.

Altogether, the United States was the world's largest exporter in 1998. We were also the largest exporter of the goods and services supporting the highest-wage jobs: agricultural products, advanced technology products and capital goods. Our goods exports now support 11.6 million American jobs.

The United States was also the world's largest importer, at \$1.1 trillion in goods and services imports in 1998. Imports play an important role in our economy, by raising living standards for consumers (especially lower-income Americans), dampening inflation, ensuring the widest possible choice of products at the best prices, and providing essential inputs for U.S. industries, many of which then export their goods at equally competitive prices. However, open markets depend on fair trade rules, and we are and will be vigilant in enforcing our laws against import surges, subsidies, dumping, or other measures intended to artificially boost exports or protect foreign markets.

TRADE AGENDA IN 1999

This brings me to our agenda for the years to come. As in the past, we hope to base our work on the foundation of a bipartisan consensus and a strong working relationship between the Administration and Congress. Generally speaking, our trade policy seeks the following goals.

- Address the trade effects of the financial crisis which now directly affects nearly 40% of the world.
- Continue our progress toward open and fair world markets through a new negotiating Round, as well as our role as host and Chair of the WTO's Third Ministerial Conference, regional negotiations and bilateral talks.
- Advance the rule of law and defend US rights by ensuring full compliance with trade

agreements and strongly enforcing our trade laws.

- Encourage the full participation of all economies, including economies in transition and developing nations, in the world trading system on a commercially meaningful basis;
- Ensure that the trading system helps lay the foundation for the 21st-century economy by offering maximum incentives for scientific and technological progress.
- Ensure that trade policy complements our efforts to protect the world environment and promote core labor standards overseas; and
- Advance basic American values including transparency and accessibility to citizens and involvement of civil society in the institutions of international trade.

TRADE NEGOTIATING AUTHORITY

As we pursue this agenda, the Administration will consult with the Committee and Congress on the renewal of traditional trade negotiating authority. The President, in his State of the Union address, called for a new consensus on trade. He said we must find the common ground on which business, workers, farmers, environmentalists and government can stand together. This commitment to common ground has been a hallmark of the Committee's approach to trade policy over the years. I want to personally thank you, Mr. Chairman, and Senator Moynihan as well, for your commitment and hard work toward this goal in the last Congress.

Consistent with that approach, we believe negotiating authority should bolster the traditional bipartisan support for trade policy and allow us to pursue an agenda that reflects consensus goals. It is a tool which can help us negotiate with greater credibility and effectiveness on behalf of American economic interests, and thus contribute to our goal of opening markets, increasing growth and raising living standards.

TRADE EFFECTS OF FINANCIAL CRISIS

Let me now address our agenda in detail. I will begin with the trade effects of the financial crisis affecting Asia, Russia and parts of Latin America.

This crisis has now lasted a year and a half, and its effects on our trade interests have been severe. Countries which have implemented IMF reform programs have seen a number of good results, including currency stability and returning investor confidence. However, real economies continue to suffer. Six major economies -- Hong Kong, Indonesia, Malaysia, South Korea, Russia and Thailand -- are likely to have contracted by 6% or more last year.

As a result of this crisis, the American trade imbalance has widened. This reflects largely a sharp drop of about \$30 billion in American exports to the Pacific Rim, and a consequent break

with the pattern of rapid U.S. export growth of the past few years. Our overall import growth last year (with the principal exception of the steel sector, in which imports rose very rapidly in the second half of 1998, affecting thousands of jobs) remained consistent with growth rates in previous years. Thus the larger deficit largely reflects predictable macroeconomic factors.

Our trade policy response begins by ensuring that our trading partners continue to live by commitments at the WTO and in our regional and bilateral agreements. The strength of the trading system is an enormous advantage here -- despite the worst financial crisis in fifty years, the world has resisted the temptation to relapse into protectionism. This has greatly reduced the potential damage to our economy, and particularly to American manufacturing exporters and agricultural producers. In addition, other markets -- particularly our NAFTA partners Canada and Mexico, to whom U.S. goods exports grew by \$13 billion last year -- have in part compensated, thanks to the more open North American market NAFTA has created, for some but not all of these lost exports. An ambitious trade agenda will further strengthen our effort to ensure that the crisis does not cause the world to move backward.

We continue with a policy response covering several areas:

IMF Recovery Packages -- We have supported reform packages with the IMF at the center in affected countries. Several of these contain trade conditionalities which we vigorously monitor.

Restored Growth in Japan -- A return to growth in Japan, Asia's largest economy, is essential for the economic health of the region. The Administration's view is that this will require fiscal stimulus that continues until solid growth is restored, financial reform, and deregulation and market-opening. USTR's responsibilities lie in this last area. In addition to an aggressive bilateral agenda, the agreement we reached in Japan last May sets out concrete deregulatory measures in telecommunications, housing, medical devices, pharmaceuticals and financial services sectors, and measures to strengthen competition policy enforcement and transparency. When fully implemented, these will create opportunities for exporters and workers in America, other Pacific economies and Japan. We are now discussing new measures in these sectors and energy as well.

Steel -- The President's January 7 Steel Report to the Congress lays out a seven point action plan on the steel import surge. Among other points, the plan projects a roll-back of imports from Japan -- the key cause of the import surge -- to pre-crisis levels, and states that the Administration is prepared, if necessary, to self-initiate trade cases to ensure that this roll-back takes place. The plan also outlines actions taken by the Commerce Department to expedite ongoing dumping investigations and apply any dumping margins retroactively. In addition, the Administration expresses strong support for an effective safeguards mechanism; and commits us to continue to assess the effectiveness of steps taken to date, and working closely with the industry, labor, and members of Congress, to assess additional steps. To assist in this ongoing review, we also announced that preliminary steel import data will be released, thus enabling the industry's business planners to react to imports on a more timely basis.

I. GROWTH AND HIGHER LIVING STANDARDS

Let me now turn to our negotiating agenda. In this agenda, we seek enduring goals -- growth, higher living standards, the rule of law, a rising quality of life, better protection of health, safety and the environment, and the advance of basic values. As President Clinton said in the State of the Union address, we need to find new methods of negotiating and address a broader array of issues to secure these goals in the next century.

1. New Round and WTO Ministerial Conference

This is the basis of President Clinton's call for a new, accelerated negotiating Round for the 21st century. The Round would begin at the Third WTO Ministerial Conference, which I will chair and which will be held in the United States from November 30th to December 3rd. This will be the largest trade event ever held in America, bringing government leaders, Trade Ministers, business leaders, non-governmental organizations and others interested in trade policy from around the world. It is an extraordinary opportunity for us to shape at least the next decade of multilateral trade negotiations and to highlight our economic dynamism to the world.

The Round President Clinton has called for would be somewhat different from previous Rounds, in that we should be able to pursue three dimensions simultaneously: first, a negotiating agenda to be completed on an accelerated timetable; second, institutional reforms and capacity-building at the WTO; and third, ongoing results in priority areas.

To begin with, we would hope to advance a number of important initiatives in the months leading up to the Ministerial Conference and at the event itself. They include:

- An "Information Technology Agreement II" adding new products to the sectors already covered by the first ITA.
- Extend last May's multilateral declaration not to assess customs duties on electronic commerce, to make sure that the Internet remains an electronic duty-free zone.
- Build consensus on the sectoral liberalization initiative begun in the Asia-Pacific Economic Cooperation forum. This would eliminate tariffs and in some cases liberalize services in chemicals; energy equipment and services; environmental goods and services; fish and fishery products; gems and jewelry; medical and scientific instruments; toys; and forest products. Meaningful participation by Japan in the fishery and forest products sectors would be essential to success.

The second dimension of institutional reform would promote transparency, allow the WTO to facilitate trade and participation for less developed nations, help it coordinate more effectively with international bodies in other fields, and continue to strengthen public confidence in the WTO as an institution. Here we would hope to take up such issues as:

- Trade facilitation. Most of the world's regional trading arrangements -- ASEAN, APEC, the European Union, Mercosur, NAFTA, the proposed FTAA -- contain a critical element of trade facilitation, often beginning with customs reform to reduce transaction costs and make trade more efficient. The WTO can help accomplish this on a much broader scale.
- Capacity-building. We need to narrow the growing disparity between the rich countries and the poor countries. We have to ensure that the WTO can work effectively with member economies and other international institutions, particularly with respect to the least developed nations, to ensure that they have both access to markets and technical assistance to meet the kinds of obligations that will help them grow. This and other issues will be addressed at a High-Level Meeting on Trade and Development this March.
- Addressing the intersection between trade and environmental policies. As trade promotes growth overseas, we must at the same time ensure clean air, clean water and protection of our natural heritage, as well as effective approaches to broader questions like biodiversity and climate change. We have already scheduled a High-Level Meeting of trade and environment experts in March, which we anticipate will provide fresh and valuable input to our work in this area and help frame a vision for future work.
- Addressing the intersection between trade and labor. Again, as in our domestic economy, growth can and should be accompanied by safer workplaces, elimination of exploitive child labor and respect for core labor standards. The WTO in particular can work in more coordination with the International Labor Organization on some of these issues. As the President has announced, the US will provide funds for a new multilateral program in the ILO to provide technical assistance for international labor rights initiatives, and through our own Department of Labor will help our trading partners strengthen labor law enforcement. These and other such efforts should be a focus of renewed cooperation with the ILO.
- Coordination with the international financial institutions, in a world where the separation of trade from financial policy has become entirely artificial. The WTO must work more effectively with the IMF and World Bank to achieve their common goals of a more stable, predictable and prosperous world.
- Transparency. We will also seek reform, openness and accountability in the WTO itself. Dispute settlement must be transparent and open to the public. Citizens must have access to panel reports and documents. Civil society must be able to contribute to the work of the WTO, to ensure both that the WTO can hear from many points of view including labor, environmental, consumer and other groups, and that its work will rest on the broadest possible consensus.

With respect to the expedited negotiating agenda of this Round, we are now consulting with Congress, industry, and other interested parties on a detailed negotiating agenda for talks

which would begin after the Ministerial. While the final scope of the agenda is yet to be determined, we believe that at a minimum they should include such issues as:

- Agriculture, where we envision broad reductions in tariffs, the elimination of export subsidies, and further reductions in trade-distorting domestic supports linked to production. We must seek transparency and improved disciplines on state trading enterprises, seek reform of the EU's Common Agricultural Policy, and ensure that the world's agricultural producers can use safe, scientifically proven biotechnology techniques without fear of trade discrimination.
- Services, in which we hope to see specific commitments for broad liberalization and market access in a range of sectors, including but not limited to audiovisual services, construction, express delivery, financial services, professional services, telecommunications, travel and tourism, and others.
- Government procurement, in which purchases are over \$3.1 trillion per year, much of it in sectors where America sets the world standard: high technology, telecommunications, construction, engineering, aerospace and so forth. At present, only 26 of the 133 WTO Members belong to the plurilateral WTO Government Procurement Agreement. We thus look to bring more countries under existing disciplines. We are also seeking an agreement on transparency in procurement to create more predictable and competitive bidding, reducing the opportunity for bribery and corruption and helping ensure more effective allocation of resources.
- Intellectual property, where our efforts to ensure full compliance with the existing provisions of the Uruguay Round will be combined with campaigns against piracy in newly developed optical media technologies such as CDs, CD-ROMs, digital video discs and others; and end-user piracy of software.
- Industrial tariff and non-tariff barriers, where we will seek to continue our progress in reducing bound and applied tariff levels, and continue to address non-tariff measures in industrial sectors.
- A forward work-program on newer issues for the multilateral system to consider, including considering how competition and investment policies meet the test of assuring fair and open trade and how the WTO can help to create an international pro-competitive regulatory climate, particularly in services, and further advance our efforts against bribery and corruption.

Outside the context of the Round, we are pursuing the accession of 31 economies to the World Trade Organization: Latvia, whose accession is complete and awaiting ratification; and Albania, Algeria, Andorra, Armenia, Azerbaijan, Belarus, Cambodia, China, Croatia, Estonia, FYR of Macedonia, Georgia, Laos, Lithuania, Jordan, Kazakstan, Moldova, Nepal, Oman,

Russia, Samoa, Saudi Arabia, Seychelles, Sudan, Taiwan, Tonga, Ukraine, Uzbekistan, Vanuatu and Vietnam. In all cases we seek a commercially meaningful agenda. This includes the greatest possible commitments to all WTO agreements, including the most recent ones.

We are also exploring ways to more fully integrate the least developed countries, particularly in Africa, into the system. This includes both seeking deeper commitments, and technical assistance in fulfilling those commitments, and legislation to improve trade relations with Africa.

2. Regional Trade Agenda

At the same time, we are pursuing an active agenda in each region of the world. A brief review is as follows:

Canada -- With Canada, our largest trade partner, we have serious concerns on a range of agriculture matters. We took an important step on these last month, with the invaluable help of several Finance Committee members, by concluding a market access package opening opportunities for American grain farmers, cattle ranchers and other agricultural producers. We will continue our work in these areas this year. We will also address major market access impediments to our magazine publishers (as I note in the section on enforcement) and other media and entertainment industries. We will also continue to enforce our bilateral sectoral agreements. At the same time, we intend to work with Canada on bilateral issues of mutual interest, and on negotiations toward the Free Trade Area of the Americas and at the WTO where we share many goals.

Mexico -- Trade with Mexico has expanded very rapidly since passage of the North American Free Trade Agreement. Last year, Mexico passed Japan as both our second largest goods exports market and our second largest overall trade partner. We will continue to monitor implementation of Mexico's NAFTA commitments, scheduled to be complete by 2008, and address bilateral issues including land transportation, corn syrup and sugar, and telecommunications barriers as well as piracy in intellectual property rights. We have also stepped up our efforts in the trilateral work program now underway in more than 25 Committees and Working Groups, with the intention of maximizing our gains under the NAFTA.

Western Hemisphere -- The Miami and Santiago Summits of the Americas have called on us to complete work on a Free Trade Area of the Americas no later than the year 2005. This year, in accordance with Summit directions, we intend to achieve "concrete progress" toward the FTAA in our nine Negotiating Groups and through business facilitation and other measures. At the same time, we will seek approval from Congress of an expanded and improved Caribbean Basin Initiative with benefits similar to those now accorded Mexico and Canada.

Europe -- We are working to remove barriers and strengthen trade relations with the EU through the Transatlantic Economic Partnership begun last year. This includes negotiations on

seven separate agenda items: technical trade barriers, agriculture (including biotechnology and food safety), intellectual property, government procurement, services, electronic commerce and advancing shared values such as transparency and participation for civil society. We are also working to ensure the protection of American interests as the EU expands to include Central and Eastern European nations. At the same time, we are enforcing European compliance with dispute settlement decisions and will address problems in our trade relations both bilaterally and through the new negotiating Round President Clinton has proposed.

Asia -- Under the Asia-Pacific Economic Cooperation (APEC) forum we are looking long-term toward free and open trade in the region. This year, as I noted earlier, we will seek WTO consensus on the nine-sector liberalization package begun in APEC, and begin work on six additional sectors. We will also address bilateral issues with Korea, the ASEAN nations and other Asian trade partners. This will include seeking Normal Trade Relations with Kyrgyzstan, Mongolia and Laos, and negotiating a broad trade and commercial agreement with Vietnam.

Japan -- In trade relations with Japan, our third largest trade partner, we will continue our intense and sustained effort to open and deregulate the Japanese market. We have concluded 35 bilateral trade agreements with Japan since 1993; we will monitor their implementation closely and enforce them vigorously. We will also address sectoral issues including rice, steel, insurance, film and other topics. And as I noted earlier, we are pursuing an ambitious set of goals under the Enhanced Initiative on Deregulation and Competition Policy, both in individual sectors and in broader structural issues.

China -- We will monitor and strictly enforce our agreements on intellectual property and market access with China, and address bilateral trade problems in agriculture, direct marketing and other areas. At the same time, we will continue to seek broad market-opening through our negotiations toward China's accession to the World Trade Organization, which I address more fully below.

Africa -- USTR is implementing the President's Partnership for Economic Growth and Opportunity in Africa by supporting economic reform, promoting expanded trade and investment ties, and encouraging Africa's full integration into the world trading system by negotiating bilateral agreements, technical assistance and other measures. A sound policy framework in African countries that opens economies to private sector trade and investment offers the greatest potential for growth and poverty alleviation as well as trade opportunities for the U.S.. Last month, for example, we signed a Bilateral investment Treaty with Mozambique and over the next few months we expect to sign Trade and Investment Framework Agreements, or TIFAs, with South Africa, Ghana, and the West African Economic and Monetary Union. We also place a very high priority on Congressional approval of the African Growth and Opportunity Act.

Broader efforts to encourage full integration of developing countries into the trading system will also bolster our Africa policy. In this regard, we will seek renewal of the Generalized System of Preferences.

Middle East -- Building upon our Free Trade Agreement with Israel, we have inaugurated a program that aims to bolster the peace process, while advancing American interests. Starting with a framework of bilateral trade and investment consultations in the region and a newly inaugurated industrial zones program, we will help the Middle Eastern countries work toward a shared goal of increased intra-regional trade.

OECD -- We strongly support passage of the OECD Convention on Shipbuilding Subsidies and will work with you to ensure its success.

II. ENFORCING THE RULE OF LAW

Second, US trade policy will support and advance the rule of law internationally by ensuring the enforcement of trade agreements and U.S. rights in the trading system.

Much of our enforcement work takes place at the World Trade Organization. We have filed more complaints in the WTO -- 41 cases to date -- than any other WTO member, and our record of success is strong. We have prevailed on 19 of the 21 American complaints acted upon so far, either by successful settlement or panel victory. In almost all cases, the losing parties have acted rapidly to address the problems. We will insist that this remain the case in all our disputes, including those with the European Union on beef hormones and bananas, and with Canada on magazines. At the same time, the U.S. has complied fully with all panel rulings it has lost, although these are few in number. And we will, of course, use our rights under the NAFTA to ensure open markets to our goods and services in Canada and Mexico.

We are also monitoring implementation of WTO commitments. All WTO developing country members are scheduled to fully implement their intellectual property commitments, and all members are required to implement customs valuation commitments by January 1, 2000. We will insist on strict compliance with these deadlines.

Likewise, we are vigilant to ensure enforcement of textile quotas and implementation of textile market access requirements overseas. A number of our trading partners clearly have further work to do in market access, including some of our largest and fastest growing textile suppliers. We have and will continue to aggressively pursue our rights, whether through the consultation process or ultimately through the WTO dispute settlement regime.

U.S. trade laws are also a vitally important means of ensuring respect for U.S. rights and interests in trade. We will continue to challenge aggressively market access barriers abroad using laws such as Section 301, "Special 301" and Section 1377, to open foreign markets and ensure fair treatment for our goods and services, ensure nondiscrimination in foreign government procurement and ensure compliance with telecommunications agreements.

To ensure that we have the maximum advantage of domestic trade laws, I am pleased to announce that the Administration will reauthorize by Executive Order two laws for which

authority has lapsed: "Super 301" and Title VII. We wish to work with the Committee to include these laws in the Committee's legislative agenda.

The Administration is also, of course, committed to full and vigorous enforcement of our laws addressing dumping and subsidies, and on injurious import surges.

III. INTEGRATING TRANSITION ECONOMIES

Third, our trade policy will continue our progress toward integrating China, Russia and other economies in transition into the trading system. This will both advance specific American trade interests, and contribute to our larger goal of a more secure peace in the next century.

This task is the last great step in the process which began with the formation of the GATT and continued with the admission of Germany and Japan: the integration of China, Russia and sixteen other economies in transition from communist planning into the trading system. These economies and a number of Middle Eastern nations are the two largest groups remaining outside the trading system. Their entry will make membership in the trading system nearly universal; and the accession of the transition economies will be a fundamentally important step in their domestic reforms as well. This would remove large distortions in world markets, dramatically enhance market access for American producers, and bolster international stability by giving these nations a greater stake in world prosperity beyond their borders

To support rather than undermine both domestic reform in these economies and the rules of the trading system, these countries must be brought into the WTO on commercially meaningful terms. The result must be enforceable commitments to open markets in goods, services and agricultural products; transparent, non-discriminatory regulatory systems; and effective national treatment at the border and in the domestic economy.

This is an ambitious task, but not an impossible task. Central European countries like Poland, Hungary and the Czech Republic have succeeded, and their experience shows that WTO membership has assisted their domestic economic reform policies. The most recent successful WTO applications, Latvia and Kyrgyzstan, have had the same experience.

In the months to come, we will negotiate intensely with all acceding economies, including China -- the largest prospective WTO member. We have made important progress with China in the past two years, and the visit of Premier Zhu Rongji in April offers China a chance to make a decisive advance. We will consult closely with the Committee and with other members of Congress as negotiations proceed.

Likewise, at the most recent summit with Russia (September 1998), President Yeltsin agreed to work to intensify Russia's WTO accession efforts. Russia's current economic difficulties clearly present challenges and Russian Cabinet reshuffling has slowed the process, but we will continue to consult with the Russians toward a commercially viable accession package.

IV. THE 21ST-CENTURY ECONOMY

Fourth, trade policy will help lay the foundation for the 21st-century economy by ensuring that the trading system is compatible with rapid advances in civilian science and technology.

In medicine, environmental protection, agriculture, entertainment, transportation, materials science, information and more, science is advancing at extraordinary speed. This offers the world tremendous potential to increase wealth, raise productivity, improve health care, reduce hunger, protect the environment and promote education. These are also areas in which the United States has a significant comparative advantage.

Under President Clinton, our trade policy has made high technology a strategic priority. Consistent with national security, we have aimed to ease the development and commercialization of new technologies, and ensure strong incentives for scientific and technological progress. We have negotiated far-reaching new agreements in sectors like computers, semiconductors, information technologies and many other areas. This work continues in multilateral, sectoral and regional negotiations.

In the multilateral system, the rapid advance of technology requires us to improve the trading system's institutions and negotiating methods. In a world where successive generations of new products arise in a matter of months, and both information and money move instantaneously, we can no longer take seven years to finish a negotiating Round, or let decades pass between identifying and acting on trade barriers. We will have to move faster and more efficiently, which is a significant reason for the President's call for an accelerated Round.

We must also ensure that trade policy, both in the WTO and in our regional and bilateral negotiations, helps ensure that we can take advantage of our comparative advantage in knowledge industries and other new technologies. Three broad issues cut across many sectors:

Intellectual Property Rights -- Our success in this field over the past decade owes a great deal to the Finance Committee's work both in the Trade Act of 1988 with its creation of "Special 301," and on the Uruguay Round. Today, the vast majority of our trading partners have passed modern intellectual property laws and are improving levels of enforcement. In this area, we will spend a great deal of time ensuring that all WTO members comply with their obligation to introduce full intellectual property protection by January 1, 2000. (For countries, like China, which are not WTO members, we will vigorously monitor compliance with bilateral agreements.)

We have also launched campaigns against worldwide piracy of new optical media technologies, and against end-user piracy of software. These issues are integral parts of our regional negotiating agenda in Asia, Latin America, Europe, Africa and the Middle East. Looking ahead, we must extend protection of intellectual property rights beyond basic laws and enforcement to protect new technologies like genetically engineered plant varieties.

Global Electronic Commerce -- In accordance with the President's Global Electronic Commerce initiative, USTR seeks to preserve electronic trade over the Internet as duty-free. At the last WTO Ministerial Conference, in May of 1998, we won agreement to a "standstill" for tariffs on electronic transmissions. As I noted earlier, we will seek to extend that agreement this year. Likewise, in our negotiations toward the Free Trade Area of the Americas, at APEC and in the Transatlantic Economic Partnership, we have created special committees to advise us ways to ensure all participants can take maximum advantage of electronic commerce.

Biotechnology -- A third top priority for us in this area is biotechnology. Among the chief sources of innovation in this field are American agriculture and medicine. USTR will seek to ensure that pharmaceutical companies, farmers and ranchers can use safe, scientifically proven techniques like biotechnology to make agriculture both more productive and friendly to the environment, without fear of encountering trade discrimination. This is a priority for us in the Transatlantic Economic Partnership negotiations and in developing our agenda for future WTO negotiations.

We also have an active sectoral high-tech agenda. This includes, for example, the ITA II agreement I discussed earlier. We are also working closely with our civil aircraft industry to ensure its future and combat foreign, particularly European, subsidies and other unfair practices. This work extends into many other fields.

V. RISING QUALITY OF LIFE

Fifth, US trade policy seeks to ensure that worldwide as in the United States, trade and growth go together with a rising quality of life, including setting high standards of environmental protection, the observance of core labor standards, and high levels of consumer protection.

1. Trade and the Environment

Our Administration believes that prosperity through open trade and the protection of health, safety and the environment need not conflict, and should be mutually supportive. This is the case in our domestic economy, where in the past three decades our GDP has risen in real terms from \$3.7 to \$8.5 trillion -- while our percentage of fishable and swimmable rivers and streams doubled, the number of citizens living in cities with unhealthy air fell by half, and many endangered or threatened species, including the bald eagle, are recovering. Where there are potential conflicts, we should strengthen our ability to resolve them in a manner that protects the environment, health and safety and does not undermine the trading system. This includes working to ensure that the proper expertise is brought to bear on complex technical and scientific issues, particularly those with environmental, health and safety dimensions.

In many cases elimination of trade barriers will also contribute to a cleaner environment and the conservation of natural resources. For example, this can help countries gain access to cost-effective equipment and technology. APEC's work toward an agreement to liberalize trade

in environmental goods and services, part of which has now moved to the WTO, can help countries monitor, clean up and prevent pollution, and ensure clean air and water. Likewise, the APEC initiative on energy equipment and services can promote rapid dissemination of efficient power technologies, thus allowing production of power with reduced carbon emissions and contributing to international efforts to address climate change.

At the same time, as the trading system ensures that members avoid using environmental standards as disguised trade barriers, in eliminating barriers to trade we must not compromise on the achievement and maintenance of high levels of environmental, health and safety protection. And the system must work together with multilateral environmental institutions.

At our suggestion, the WTO is convening a High-Level Meeting on trade and the environment this spring to more fully address these questions. This marks a new level of awareness and interest in the world trading community on trade and environmental issues.

We will also continue to support the effective implementation of the North American Agreement on Environmental Cooperation in conjunction with the NAFTA. Cooperative activities that have occurred as a result of this agreement have improved environmental protection in a number of different areas -- for example, an agreement on the conservation of North American birds; the creation of a North American Pollutant Release Inventory; an agreement on regional action plans for the phase-out or sound management of toxic substances, including DDT, chlordane, PCBs and mercury; and the creation of a trilateral working group that has improved the enforcement of environmental protection laws. Benefits have also resulted from the implementation of the Border Environment Cooperative Commission (BECC) which was also entered into in conjunction with the NAFTA. The BECC has fifteen environmental infrastructure projects under construction today, funded in part by the North American Development Bank, including the first wastewater treatment plants in Juarez.

2. Trade and Core Labor Standards

Likewise, the trade system must help to assure the dignity and safety of workers. Here again, we can draw lessons from our experience at home, where since 1970, as manufacturing production doubled, the number of workplace deaths fell 60%.

At the Singapore WTO Ministerial Conference in 1996, the WTO for the first time recognized the importance of labor standards and cooperative work with the International Labor Organization, while clearly separating advocacy of labor rights from protectionist trade policies. We wish to build on this to ensure that the trading system works more effectively with the International Labor Organization, with businesses and with citizen activists to ensure observance of internationally agreed core labor standards -- banning forced labor and exploitive child labor, guaranteeing the freedom to associate and bargain collectively and eliminating discrimination in the workplace.

To bolster these efforts, the President recently announced a \$25 million program to help the ILO work with developing countries to put in place basic labor protections, safe workplaces and guarantee worker rights and enforce their own laws so that workers everywhere can enjoy the benefits of a strong social safety net. These are fundamental human rights and common concerns, and trade policy has a place in addressing them, as we have begun to do with our neighbors, for example, through the North American Agreement on Labor Cooperation.

We are also taking steps in a number of other areas, which the Secretary of Labor will address in her testimony. These include special attention to export processing zones, which at times have lower labor standards and less adequate worker protections, reports on workplace standards in different regions, and reports on issues of special concern including child labor.

VI. ADVANCING AMERICAN VALUES

Sixth, in 1999 we will seek to advance basic American values and concepts of good governance, by making the institutions of trade more transparent, accessible and responsive to citizens.

As the President has said, as trade grows, the rules of trade do more to ensure that markets are open to our goods and services, and the trading system coordinates more fully with environmental, labor and financial institutions, the need for transparency, accessibility and responsiveness grow. This is natural and a development which we both support and are working to realize.

One principal forum here is the WTO, where we are seeking agreements on more rapid release of documents, ensuring that citizens and citizen organizations can file amicus briefs in dispute settlement proceedings, and that dispute settlement proceedings be open to public observers. In the interim, President Clinton has made a standing offer to open any dispute panel involving the United States to the public, if our dispute partner agrees.

A second forum is the FTAA negotiations, in which -- for the first time in any trade negotiation -- we have created a Civil Society Committee to give business associations, labor unions, environmental groups, student associations, consumer representatives and others a formal means of conveying concerns and ideas to all of the governments involved in the talks.

A third is our creation of new Transatlantic Dialogues with the European Union for consumers, labor and environment as part of the Transatlantic Economic Partnership. We are working with these Dialogues to promote our shared values with Europe in the activities and negotiations we are undertaking as part of the TEP and multilaterally.

CONCLUSION

This is an ambitious and far-reaching agenda. We plan to work closely with the

Committee and Congress as a whole to realize it, and look forward to the benefit of your thoughts and advice at this hearing and in the months ahead. This includes the renewed negotiating authority that will help us bring our negotiations to a successful conclusion.

In conclusion, Mr. Chairman, much has changed in the international economy in the fifty-one years since the United States led 23 countries in creation of the GATT. Our national interest in economic events beyond our borders has grown, our people have found new opportunities and new challenges in trade, and many new nations have become active in trade.

These developments in many ways are the result of America's commitment to a vision of open and fair trade under the rule of law, and to the bipartisan policies we have pursued for many years to realize it. As a result of this success, we now face some new and complex challenges. The President's State of the Union Address outlined these challenges and the need for a new consensus to meet them.

But as deeply changed as today's world may be, the vision President Roosevelt laid out in one of the darkest moment of human history -- an open world, prosperous and governed by the rule of law -- remains valid in a world more prosperous, healthy and hopeful than ever before. And the necessity for a bipartisan consensus on our goals, and a strong partnership between the Executive and Legislative branches of government, remain essential to achieve this vision. With your advice and your help, as we open a new Round of negotiations and embark on a highly ambitious agenda for the next century, we hope to bring it closer to realization than ever.

Thank you very much, Mr. Chairman and Members of the Committee.